DOCUMENT RESUME

ED 103 135 RC 006 866

AUTHOR	Edwards, Clark
TITLE	Manpower Policies for Residents of Lower-Income Rural and Semi-Rural Counties.
INSTITUTION	Department of Agriculture, Washington, D.C.
PUB DATE	20 Jun 69
NOTE	12p.
EDRS PRICE	MF-$0.76 HC-$1.58 PLUS POSTAGE
DESCRIPTORS	*Cooperative Planning; Depressed Areas (Geographic); Economically Disadvantaged; Economic Climate; Federal Government; Job Development; *Low Income Groups; *Manpower Utilization; *Policy Formation; Population Distribution; Regional Planning; *Rural Development
IDENTIFIERS	*Rural Nonfarm Sector

ABSTRACT

Around 1,000 rural and semi-rural counties are suffering from decreased demand for farm labor and the lack of new nonfarm jobs, resulting in underemployment, low income, frustration, and out-migration. Manpower policies dealing with the economic opportunity of residents of rural, nonfarm areas often overlook two important aspects of the problem: (1) Uniform national, monetary, and fiscal policies at the Federal level, and specific policies dealing directly with individual households and firms at the local level, leap-frog over the regional, multicounty dimensions of the problem. (2) Policies often depend on indirect routes of attack with a consequent favorable multiplier effect. For example, we promote growth in centers of economic activity and hope for multiplicative benefits in the hinterlands. Manpower policies need to be evaluated in terms of actual and anticipated impacts on: (1) the overall national economic climate; (2) individual firms and households; (3) geographically dispersed populations; and (4) the community facilities and institutions of the economic region in which the target group lives, shops, and works. Manpower policies need to be implemented with an understanding of the regional variations in unemployment and underemployment pointing more directly to target populations and relying less on indirect policies with hoped-for benefits. (JC)

BEST COPY AVAILABLE

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

ED103135

RECEIVED
NOV 12 1974

RC006866

DISCUSSION DRAFT
NATIONAL MANPOWER
ADVISORY COMMITTEE

June 20, 1969

Manpower Policies for Residents of Lower-income Rural and Semi-rural Counties

Clark Edwards
Economic Development Division
United States Department of Agriculture

Our $900 billion National economy is providing nearly 78 million jobs; 2 percent more than a year ago. On average, our national economic and manpower programs are successful -- but unacceptable imbalances among various sectors continue. The comparison pertinent to the subject matter at hand is that which makes explicit the continued economic difficulties of unemployed and underemployed persons, white and black, who reside in rural nonfarm areas, and in towns and small cities. About half of the Nation's poverty problem is located well away from the urban-oriented sector of society we read about so much in the daily papers. It is distributed through the rural-oriented, slower-growing, lower-income places that provide a place of residence for one-third of our total population.

A recent U.S. Department of Agriculture study classified the 3,000 counties in the Nation accordingly as they were (1) metropolitan, (2) major urban places, or (3) rural and semi-rural places. The metropolitan places were the SMSA's. The rural and semi-rural counties were defined as those wherein the largest urban place contained fewer than 10,000 persons according to the 1960 Census.

The metropolitan counties contained three-fourths of the private nonfarm jobs covered by social security. They not only have most of the jobs, but most of the higher income jobs; per capita incomes in non-metropolitan areas averaged only 67 cents of the dollar of metropolitan income. During 1962-67, the metropolitan counties were gaining private nonfarm jobs at a pace of around 4 percent per year.

The sparsely populated, rural and semi-rural places were growing faster, with gains in private nonfarm jobs averaging more than 5 percent per year. This phenomenon of the early 1960's represents a turnaround from earlier years when the pace of job expansion was faster in and around the larger cities. The faster rate of acceleration in rural and semi-rural places is a relative, not an absolute comparison. The covered employment base of these sparsely populated counties was only 10 percent of the national, private, nonfarm employment, so the faster rate of gain merely says that about 11 percent of the new jobs were in rural places. Even so, the faster rate of growth is significant. And it is related to the recent slowdown in out-migration from low income, rural areas.

Even more significant is the geographical distribution of the growth. Around 2,000 of the 3,000 counties in the U.S. were classified as rural and semi-rural. Of these, about half (around 1,000 counties) were adding at least enough private, nonfarm jobs to offset local losses in farm job opportunities. But half of these (around 500 counties) were near metropolitan places, suggesting possible spillover effects from economic

interactions and commuting. On the other hand, the other half of the rapidly growing rural areas were geographically isolated from metropolitan places and were growing in response to what must have been internal stimulation rather than spillover from nearby growth centers and metropolitan business activity. This leaves a residual of around 1,000 rural and semi-rural counties in trouble. Demand for farm labor is decreasing in them just as it is everywhere else. But there is insufficient new demand for nonfarm jobs. This leads to underemployment, low income, frustration, and out-migration.

The industrial north is one of the two major strips displaying a more highly developed general level of business activity than the average for the country. Further gains in job opportunities and continued decentralization are resulting in substantial gains in nonfarm job opportunities in the few rural and semi-rural counties scattered through the region. It is hard to say whether the gains were in some sense caused by the nearness to metropolitan places, or whether this association was accidental. Agriculture in this region, particularly in the eastern part, is losing some of its share of the total agricultural industry.

The metropolitan west coast is the other major strip displaying a more highly developed general level of business activity. In comparison, other places with high level of income and output in central and southern places appear as scattered islands. Growth on the west coast is mainly metropolitan. It is not leading to a significant number of nonfarm job opportunities in nearby rural and semi-rural counties.

The industrializing upper south has a level of general business activity below the average for the Nation. It has a large share of its labor force in manufacturing, and growth in the area is leading to rapid gains in nonfarm job opportunities for residents of rural and semi-rural counties and subsequently is checking outmigration. Growth was pervasive; about two-thirds of the rural and semi-rural counties exhibited moderate to major gains in new, nonfarm job opportunities.

Much of the rest of the country has a lower level of income, is growing more slowly in terms of nonfarm job opportunities, and is losing its share in the total agricultural industry. Population shifts point to a general out-migration from these areas. They extend from the central Appalachian counties westward through the Ozarks and then fan out to include large portions of the plains and mountain states and part of the lower south and the cut-over area west of the Great Lakes.

These regional variations in local economic opportunity for residents of lower-income, rural and semi-rural counties point to a need for regional adaptations of public and private policies.

A uniform, national policy for all of the labor force is not likely to deal successfully with the regional variations in symptoms and causes. It is necessary that national policies with respect to balanced regional growth and rural economic development set up a favorable, general environment. But such policies are not sufficient if local leaders and individuals are not taking responsibility for dealing with local, private and public problems.

On the other hand, policies working through families and firms may not be enough either. Much as we do need retraining programs for workers, and plant location and management programs for entreprenuers, the solution of problems facing the low income, rural resident of slow growing regions frequently requires action beyond the means available. Individuals can't make meaningful decisions related to preferred place of residence (migration), level of schooling, and choice of vocation, when the community doesn't offer much choice. An individual can do only so much about a good education for his children if the best schools are in another school district; so much about a better job if the expanding demand for workers is occurring in another state; and so much about capital accumulation from limited saving if a nationwide inflation keeps pushing up the cost of living.

That is, these problems involve regional questions which need to be dealt with by all those affected through group action related to roads, schools, zoning, taxes, credit, residental construction, industry location, and community facilities. And those affected include not only the directly and obviously diadvantaged, but other local residents as well whether they live next door, in a nearby town or in another county; whether they are also poor or whether they are well-to-do; whether they also are rural, or whether they live in a urban place. In this sense, rural residents have more common interests with their city cousins an hour's drive from the farm than they do with their rural brothers living a day's journey or more away.

Regional problems of finding job opportunities for the rural poor might best be dealt with by working through labor market and trade areas to assure that jobs are created within commuting distance of the target groups rather than working with isolated families, firms, or even with towns and counties. If a labor problem has multi-county dimensions, the programs to deal with the problem should cover the whole commuting area. On this basis, the 3,000 counties of the nation might be delineated into some 500 multi-county labor market areas each with a need for local programs to provide economic opportunity for the unemployed and underemployed persons, wherever their place of residence. Jobs certainly do not need to be created in the backyards of the rural poor, or even in their home county. If the optimal firm location is within commuting distance, that is sufficient. This is an alternative to continuing to create jobs in the central cities, beyond commuting distance of the rural areas, which require migration as a prerequisite to gainful employment.

This is not to say that the first step in manpower programs is one of multi-county labor market delineation. While it might be efficient to replace our 81,000 local government units with 500, that presents an institutional problem beyond the scope of the current discussion. But it is to say that manpower problem analysis and program implementation will be more effective if it recognizes the multi-county nature of many mid-twentieth century economic, social, and political problems.

Manpower policies dealing with the economic opportunity of residents of rural, nonfarm areas often overlook two important aspects of the problem. First: Uniform national, monetary and fiscal policies at the Federal level, and specific policies dealing directly with individual households and firms at the local level, leap-frog over the regional, multi-county dimensions of the problem. Second: Policies often depend on indirect routes of attack with a consequent favorable multiplier effect. For examples, we promote growth in centers of economic activity and hope for multiplicative benefits in the hinterlands; we subsidize returns to management and hope for multiplicative benefits to labor; and, we attach program benefits to land and capital and hope for multiplicative benefits to the suppliers of labor services.

Manpower policies need to be evaluated in terms of actual and anticipated impacts on: (1) the overall national economic climate; (2) on individual firms and housholds; (3) on geographically dispersed populations; and (4) on the community facilities and institutions of the economic region in which the target group lives, shops, and works.

Manpower policies need to be implemented with an understanding of the regional variations in unemployment and underemployment, and which point more directly to target populations and target geographic areas, with less reliance on indirect policies with hoped-for benefits.

Households. Policies dealing directly with target households supplement income with either money or goods and services such as housing or food. They provide supplemental training and household relocation.

They have the advantage of working directly with the target group and are a necessary part of national policy. But they are not sufficient. They may raise real income without raising productivity or employability; or, they may raise potential productivity and expand the supply of labor services available in a community without improving job opportunities and income.

Firms. Policies dealing directly with firms seek to match supplies of labor with demands. Unless they are coupled with household programs, they depend on indirect multiplier effects for success. Unless they are coupled with considerations of the general community economic environment, discussed below, they may be of more value for short-run progress reports than long-run, community improvement. Included are policies relating to loans, contract preferences, managerial and technical services, job training supplements, and tax preferences.

Programs operating through firms are most likely to be successful if the inducements to firm operators are directly related to the value added by the target group (such as low income families, or residents of a specific county). For example, suppose the end is to create jobs: Which is more likely to maximize that end -- a tax credit on investment or one on wages and salaries? A 7 percent tax credit on new investment in rural areas may induce some plants to locate there. But the inducement is for assembling concrete blocks and steel machinery (including labor-saving equipment) rather than for expanding local job opportunities and raising local income. And the inducement is no longer there 2 or 3 years later if the firm finds itself in financial difficulty and faces a possible shutdown.

Consider as an alternative a 3 percent tax credit on wages and salaries for residents of a disadvantaged county. For a firm with average proportions of labor and capital, this inducement would have about the same present value. But it would have three advantages: (1) To the extent that labor is efficiently substitutable for capital, it would create more jobs; (2) it sets up a continuous flow of inducements over the life of the firm rather than a first-year pull; and (3) it ties the credit to the place of residence rather than place of work which allows for more efficient choices of plant location within commuting distance of the target population or area.

Community facilities and institutions. When a manpower problem is viewed as involving more than one household or firm but less than the entire nation, the solution requires group action to implement and coordinate public and private programs at a regional level. These programs can create a local economic environment of expanding economic opportunity in which firm and household programs have a high probability of success. Failure to establish a favorable local economic environment can doom the best intentioned micro-level programs to failure. Group processes of interaction are required in reaching decisions about local revenues and purchases, schools, roads, medical services, housing, industrial parks, business and consumer services, and other economic attributes of the local government.

The regional level of involvement probably presents more of a bottleneck for manpower programs than do Federal or micro-levels. The difficulty is brought about in part by a failure to have political leadership organized at the regional level. States tend to be too big and cover several problem

areas; cities and counties tend to be too small, and lead to a need for coordinated action among diverse local public and private institutions.

Federal programs are not always based on considerations of balanced regional impacts with respect to location of federal establishments, awarding contracts, and granting aids to education. Programs have a higher probability of success that hinge on multi-county coalitions of local governments, and on assistance with comprehensive planning, with public and private interests working together, to deal with area-wide problems of expanding economic opportunity. Not only can most Federal programs be improved with respect to their success at the regional level, but also some new programs might be developed to influence the geographic distribution of the population and economic activity with a view to balanced regional growth.

The community of interests of the rural poor in one county and the residents of an urban place in a contiguous county might be crystalized under some new programs. For example, consider a payroll subsidy (or tax credit) to employers of residents of a designated, low-income rural county, where the subsidy is given to the employer as a consequence of the place of residence of the worker, not the place of work. If a new plant can locate efficiently in the target county, it will. But if -- with the subsidy -- the economics of location and the advantages of agglomeration indicate greater efficiency in an urban place, a county, or so away, then the plant will locate where it is most efficient and the workers will commute. This inducement, coupled with multi-county aids to education, health, and roads will not only directly and immediately expand the demand for workers in the target county, but also promote location of plants in the growth centers where they are most efficient and bring leaders of the several communities

involved together to reach goals of mutual interest. The acceleration of jobs in growth centers within commuting distance of the rural poor will tend to limit the rapid growth around central cities beyond commuting distance of the target counties, and will reduce the tendency for migration from a target county to distant metropolitan places as a prerequisite for finding gainful employment. Jobs are created within commuting distance of prospective employers rather than forcing workers to migrate to a place within commuting distance of prospective jobs.

Most of us agree that something needs to be done about rural economic development. But we do not generally agree on what we mean by rural economic development or on what ought to be done about it. This paper has treated the rural development problem as a subset of the general problems of growth, development, and progress of the nation as a whole. The paper argues that manpower programs for the rural poor are not separate and distinct from programs affecting other residents of the nation. Programs designed to help the rural poor probably will operate best if they are implemented with regard to the natural, geographic grouping of economic subsystems of the nation. These subsystems function as macro-economic units with all the usual problems of income and employment and with variations in aspects of consumption, investment, government, and export-import activity. Our present state and local government boundaries do not correspond with these subsystem boundaries and consequently have not proven well suited to dealing with rural economic development problems. Federal manpower programs can be developed which crystalize the subsystems and which encourage local, enlightened group leadership to deal constructively with regional variations in income levels and income distributions. Through local group action, local objectives can be established, new ways can be found to deal with

continuing problems of income and employment, promote area growth, and bring about new development. In this way, democratic processes can lead to an environment in which the rural poor may also find economic opportunity.